

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No. 1358-01
Bill No.: HB 664
Subject: Motor Vehicles; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: February 18, 2009

Bill Summary: Would phase out the personal property tax on motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Blind Pension	(\$700,000)	(\$1,800,000)	(\$2,800,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$700,000)	(\$1,800,000)	(\$2,800,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$146,400,000	\$360,500,000	\$560,200,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no added cost to their organization as a result of this proposal. BAP officials noted that this proposal would phase out personal property tax on motor vehicles by 2013. This proposal would have a significant impact on municipal governments. BAP notes that according to the State Tax Commission's 2007 Report, the assessed valuation of motor vehicles and historic vehicles was \$11,046 million. Assuming an average tax rate of \$6.25 per \$100, this would reduce municipal revenues by \$690 million annually when fully implemented. At \$0.03 per \$100 assessed valuation, this proposal would reduce Blind Pension Fund receipts by \$3.3 million annually when fully implemented.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would reduce the tax assessment percentages for personal property on all vehicles starting January 1, 2009. This decline would continue until January 1, 2013 when there would not be any personal property tax on such vehicles. This bill would have a significant negative fiscal impact on school districts. There is not a provision to replace these lost funds. The exact fiscal impact can not be determined.

Officials from **Linn State Technical College** and the **Metropolitan Community Colleges** assume this proposal would have no fiscal impact on their organizations.

Officials from the **City of Centralia** assume this proposal would have a negative fiscal impact on their organization of \$22,601 for FY 2010, \$41,973 for FY 2011, and \$64,573 for FY 2012.

Officials from **Cass County** assume this proposal would have a negative fiscal impact of more than \$1 million.

Officials from the **Office of the St. Louis County Collector** assume this proposal would result in significant losses to their organization but did not provide an estimate of the loss.

ASSUMPTION (continued)

Officials from the **City of St. Louis** assume this proposal would result in a significant loss in revenue for the City. The City of St. Louis Assessor's office estimates that over the last 5 years, motor vehicles have comprised between 8% and 11% of total local assessments. In the current year (2007) total motor vehicle assessments amounted to \$372.0 million. At current tax rates, the total loss in revenue by the end of the phase out period would exceed \$5.0 million per year. This amount represents only the City's portion of the property tax receipts (about 22% of total). Other political jurisdictions within the City (e.g. schools, library, zoo/museum district, etc.) would incur significant losses as well.

Officials from the **Department of Revenue** (DOR) assume this proposal would eliminate personal property tax on vehicles by January 1, 2013. This would eliminate the need to see personal property tax receipts upon issuing or renewing a registration on all types of vehicles, including trailers, beginning January 1, 2013. There would be no impact to DOR until the legislation goes into effect on January 1, 2013. At that time the Department would need to revise policies, procedures, and the DOR website, update the GRS renewal print program, the TRIPS system, and the Missouri Online License Plate Renewal System (MORE).

DOR officials noted that costs to revise policies and procedures and update the DOR website would be absorbed.

Oversight assumes that DOR would have no fiscal impact from this proposal.

DOR officials provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimate that this legislation could be implemented using one FTE existing CIT III for one month at a total cost of \$4,441. ITSD/DOR assumes the IT portion of this request could be implemented with existing resources. If priorities shift, additional FTE or overtime would be needed.

Officials from the **State Tax Commission** (TAX) assume their organization would have no fiscal impact from this proposal. TAX officials also provided an estimate for property taxes on motor vehicles amounted of about \$680 million per year statewide.

ASSUMPTION (continued)

Oversight will use the BAP estimate of personal property taxes on motor vehicles. Oversight will assume for fiscal note purposes that the retail value of motor vehicles in Missouri remains constant. Oversight notes that this proposal would reduce the assessment ratio for motor vehicles over several years until there would be no taxes on motor vehicles for years beginning on or after January 1, 2013. The current nominal assessment rate for motor vehicles is 33%, so the rate and tax amount for subsequent years is shown in the following table.

Calendar Year	State Fiscal Year	Assessment Rate	Local Government Tax Loss (\$ million)	Blind Pension Fund Tax Loss (\$ million)
2008	2009	33%		
2009	2010	26%	\$146.4	\$0.7
2010	2011	20%	\$360.5	\$1.8
2011	2012	13%	\$560.2	\$2.8
2012	2013	7%	\$662.5	\$3.3
2013	2014	0%	\$690.0	\$3.5

FISCAL IMPACT - State Government

FY 2010
(10 Mo.)

FY 2011

FY 2012

BLIND PENSION FUND

Revenue reduction - tax exemption

(\$700,000)

(\$1,800,000)

(\$2,800,000)

**ESTIMATED NET EFFECT ON
BLIND PENSION FUND**

(\$700,000)

(\$1,800,000)

(\$2,800,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
<u>Revenue reduction - tax exemption</u>	<u>(\$146,400,000)</u>	<u>(\$360,500,000)</u>	<u>(\$560,200,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(\$146,400,000)</u>	<u>(\$360,500,000)</u>	<u>(\$560,200,000)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own, operate, or pay personal property taxes on motor vehicles.

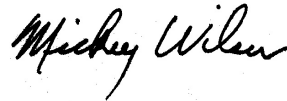
FISCAL DESCRIPTION

This proposal would phase out the personal property tax on motor vehicles.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
City of Centralia
Linn State Technical College
Metropolitan Community Colleges
Cass County
City of St. Louis

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 18, 2009